



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**



KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2766  
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY  
AUDITOR-CONTROLLER

May 2, 2001

TO: Supervisor Michael D. Antonovich, Mayor  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: J. Tyler McCauley  
Auditor-Controller

SUBJECT: **FISCAL AUDIT OF WILENE'S RE-GROWTH CENTER – A GROUP  
HOME FOSTER CARE CONTRACTOR**

Attached is our audit report on Wilene's Re-Growth Center's (Wilene's) fiscal operations for the period July 1, 1999 through June 30, 2000. Wilene's is licensed to operate three group homes with a combined resident capacity of 18 children and is located in the First Supervisorial District. During our review period, Wilene's received a total of approximately \$1,140,000 in group home funds from the Department of Children and Family Services (DCFS). We reviewed this agency upon DCFS' request. It should also be noted that we previously reviewed Wilene's fiscal operations and we issued a report on November 15, 1997.

**Summary of Findings**

Our review disclosed a total of \$17,271 in questioned costs. Included in this amount is \$7,277 in expenditures that were not adequately documented as program related and \$9,994 in inappropriately allocated housing costs.

We noted several deficiencies in Wilene's controls over the receipt and disbursement of group home funds that contributed to the questioned expenditures discussed above. We also noted areas where Wilene's needs to strengthen internal controls over payroll, bank reconciliation and insurance requirements. Details of our findings are discussed in the attached report.

DCFS should ensure that Wilene's management takes appropriate corrective actions to address the recommendations in this report and also monitor this contractor to ensure that the corrective actions result in permanent changes.

### **Review of Report**

We discussed our report with Wilene's management on May 1, 2001. They have agreed to provide DCFS with a written response and corrective action plan within 30 days of the report date. In addition, DCFS has agreed to provide my office with a written response within 60 days detailing the resolution of all findings contained in the report. We thank Wilene's management and staff for their cooperation during our review.

JTM:PTM:MR:tk

### **Attachment**

c: David E. Janssen, Chief Administrative Officer  
Public Information Office  
Audit Committee Members  
Commission for Children and Families  
Department of Children and Family Services  
Anita Bock, Director  
Robert Davis, Chief Deputy Director  
Ed Hatzenbuehler, Bureau Chief, Finance and Administration  
Genevra Gilden, Chief, Quality Assurance Division  
Wilene's Re-Growth Center  
Earlene Thompson, Executive Director  
Board of Directors  
California Department of Social Services  
Sharon Ferrante, Chief, Foster Care Audit Bureau  
Evelyn Hemenover, Chief, Foster Care Rates Bureau

**Wilene's Re-Growth Center**  
**Fiscal Audit of Group Home Contract**

**Schedule of Findings**

**Background**

The Department of Children and Family Services (DCFS) contracts with Wilene's Re-Growth Center (Wilene's) to provide the basic needs and services for foster care children placed in the Agency's care. Wilene's is licensed to operate three group homes with a combined resident capacity of 18 children and is located in the First Supervisorial District.

Under the provisions of the Contract, DCFS pays Wilene's a monthly rate for each child based on a rate classification level determined by the California Department of Social Services (CDSS). Wilene's received a monthly rate between \$3,521 and \$4,584 per child, and for the period of our review, July 1, 1999 through June 30, 2000, received approximately \$1,140,000.

The purpose of our review was to ensure that Wilene's has appropriately accounted for and spent foster care funds on allowable and reasonable expenditures in providing necessary care and services to children placed in the Agency's care. We also evaluated the adequacy of Wilene's accounting records, internal controls and compliance with the Contract and applicable federal, State and County fiscal guidelines governing the disbursement of group home foster care funds.

**Applicable Regulations and Guidelines**

Wilene's is required to operate in accordance with certain federal, State and County regulations and guidelines. We referred to the following applicable regulations and guidelines during our audit:

- Group Home Foster Care Contract (Contract), including Exhibit F, Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook).
- Federal Office of Management and Budget Circular A-122 (Circular), Cost Principles for Non-Profit Organizations.
- California Department of Social Services - Manual of Policies and Procedures (CDSS- MPP).
- California Code of Regulations, Title 22 (Title 22).

### **Questioned Costs**

Our review disclosed a total of \$17,271 in questioned costs. Details of these costs are discussed below.

### **Unsupported/Inadequately Supported Costs**

We noted \$7,277 in unsupported or inadequately supported expenditures, as follows:

- \$3,165 paid to four independent contractors. The Agency did not maintain an agreement with the contractors or did not have an invoice for the services provided. The A-C Handbook, section 3.2, requires that agreements and invoices be maintained for all independent contractors detailing the billing rates, time and attendance information and nature of services provided.
- \$1,546 in gasoline charges made with a gas charge card that were not supported by vehicle travel logs or mileage claims.
- \$1,359 in check and credit card expenditures not supported by original, itemized vendor receipts.
- \$1,207 in expenditures where the receipts provided did not agree with the amount of the checks issued, nor were the receipts cross-referenced to the appropriate check. Therefore, we were unable to determine if the receipts provided correspond to the actual expenditures made.

### **Shelter Costs**

The Agency's three group home facilities are owned by the Executive Director and leased to Wilene's. During our review we noted that two Agency employees reside in the 934 Calle Carrillo, San Dimas home. According to the Circular, costs of housing, housing allowances and personal living expenses for/of the organization's officers are unallowable as fringe benefit or indirect costs (section b states that the term "officers" includes current and past officers and employees). These costs are allowable as direct costs when approved by the awarding agency. Per DCFS management, Wilene's was not authorized to house its employees in the group home at the expense of the group home. Therefore, we question Wilene's practice in allowing employees to reside in one of its group home facilities. Our review disclosed \$9,994 in questioned shelter costs associated with providing housing to the two employees as follows:

- \$6,450 in lease payments made during our review period on behalf of the two employees. The group home is occupied by eight individuals, six foster children and the two employees. Therefore, we determined that 25% of the total yearly

shelter costs of \$25,800 did not actually benefit the foster children placed in the group home.

- \$3,544 in other “costs of housing” also made on behalf of the two employees. The Agency incurred a yearly total of \$14,174 in other housing costs (i.e., utilities, maintenance, furnishings, food, etc.), which also benefited the Agency employees residing in the group home. Therefore, we question 25% of the annual housing costs because they did not benefit the foster children.

### **Recommendations**

- 1. DCFS management resolve the \$17,271 in questioned costs and, if appropriate, collect any disallowed amounts.**

In order to demonstrate the ability to appropriately account for group home funds and administer the group home program in compliance with the terms of their agreement with the County, Wilene's should implement the following recommendations:

#### **Wilene's management:**

- 2. Maintain adequate support documentation for all group home expenditures, including original itemized receipts and detailed travel/mileage logs.**
- 3. Ensure group home funds are spent on necessary, allowable and reasonable expenditures to carry out the purpose and activities of the group home.**
- 4. Develop a cost allocation plan to appropriately allocate housing costs, and apply the plan retroactively.**

### **Contract Compliance and Internal Controls**

Our audit disclosed several contract compliance issues and internal control weaknesses in addition to those already mentioned. These deficiencies contributed to the questioned expenditures discussed above. DCFS should ensure that Wilene's management takes appropriate corrective actions to address each of the internal control weaknesses noted in this report. DCFS should also monitor this contractor to ensure that the corrective actions result in permanent changes.

**Revenue Procedures**

- The Agency did not maintain a daily attendance log for residents. As a result, we were unable to verify the number of days a child was placed with the Agency and whether the amounts paid to the Agency were appropriate.
- Our review disclosed that DCFS and the Agency did not adequately resolve one payment discrepancy identified. Specifically, DCFS records indicated an overpayment to the Agency of \$1,920 for October 1999, and Agency records indicated an overpayment of \$2,132.

**Recommendations****DCFS management:**

5. **Monitor payments to group home agencies closely to ensure correct amounts are paid and over/underpayments are resolved timely.**

**Wilene's management:**

6. **Maintain daily attendance logs for residents.**
7. **Ensure all over/underpayments are reported to DCFS and resolved in a timely manner.**

**Disbursement Procedures**

- The Agency purchases clothing, food and various household products and supplies on an as-needed basis. However, the Agency does not always document whether the items purchased are used on behalf of the group home children. At a minimum, the Agency should indicate the location of the group home when purchasing general use items such as food and household products. For clothing purchases, the Agency should indicate the name of the child receiving the clothing on the corresponding check and receipt.
- For eight (17%) of 48 expenditures reviewed, supporting documents such as invoices and receipts were not marked "paid" or otherwise cancelled and were not cross-referenced to a cancelled check. As a result, the Agency could not locate supporting documentation for many expenditures.
- The Agency's balance sheet, dated June 30, 2000, shows an outstanding liability of \$182,721 payable to the Executive Director. However, the Agency did not provide documentation to support the amount.

### **Recommendations**

#### **Wilene's management:**

- 8. Ensure supporting documents such as invoices and receipts clearly indicate the purpose/use of funds.**
- 9. Ensure invoices are marked "paid" or otherwise cancelled and are cross-referenced to corresponding checks.**
- 10. Refrain from using group home funds to repay the \$182,721 liability until the Agency can provide documentation to support the payable.**

### **Payroll Procedures**

Three of 12 employee timecards reviewed did not contain the employee's signature.

### **Recommendation**

#### **Wilene's management:**

- 11. Ensure timecards are signed by employees.**

### **Bank Reconciliation**

We reviewed the bank reconciliation for June 2000 and noted that it was not signed by the preparer. Moreover, the Agency prepared the bank reconciliation 60 days after the bank statement date. Section 4.011 of the A-C Handbook states that monthly bank reconciliations should be prepared within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy. Both the preparer and the reviewer must sign and date the bank reconciliation.

We also noted ten checks totaling \$389 remained outstanding for over six months (dating back as far as October 1997). The A-C Handbook, Section 4.012, states that unclaimed or undelivered checks shall be cancelled periodically.

### **Recommendations**

#### **Wilene's management:**

- 12. Reconcile the bank account in a timely manner, and periodically cancel unclaimed or undelivered checks.**
- 13. Ensure bank reconciliations are signed and dated by the preparer and the reviewer.**

**Non-Compliance with Insurance Requirements**

Wilene's did not maintain Independent Contractor's insurance as required by the Contract.

**Recommendation**

14. Wilene's management maintain adequate insurance coverage as required by the contract.